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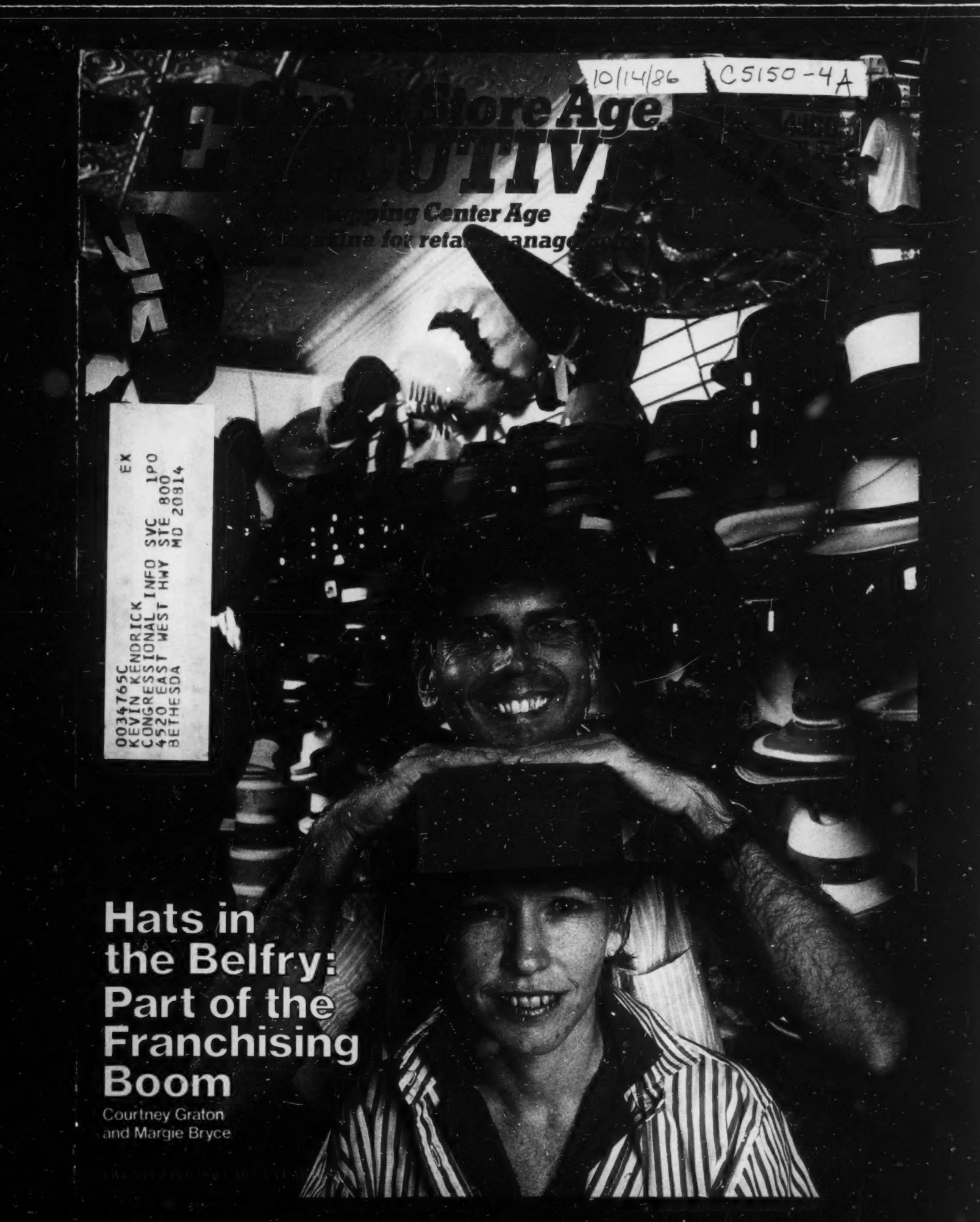

Hats in the Belfry: Part of the Franchising Boom

Courtney Graton
and Margie Bryce

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CHAINS BEEF UP STORE TRAFFIC

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FRANCHISING BOOM MAKES HEADWAY

HATS IN THE BELFRY: PART OF A FAST-GROWING INDUSTRY

"In some ways it was as big a commitment to franchise as to go into the business in the first place," says Courtney Graton, one of the two founders of Hats in the Belfry.

However, he and his wife (and co-founder) Margie Bryce, decided to take the plunge because "We pretty well believe in the concept of owner-operated stores," says Bryce.

The couple has joined numerous other executives who are realizing the wisdom of franchising their businesses, creating a continuing boom in the franchise industry.

In 1986 alone, the number of franchised businesses is expected to grow by 6%, on top of the 10% growth that came in 1985. It is estimated that goods and services are now being sold in more than 478,000 franchised-outlets.

According to William Cherkasky, executive director of the International Franchise Association, as a result of this boom, $576 billion in sales of goods or services will be generated by franchised companies in 1986. He equates this to 34% of all retail sales, and anticipates that this number will swell to 40% by the end of the decade; and to 50% by the end of the century.

As a sign of how fast the industry is growing, the 1986 figure is already well above the $506.9 billion in franchised sales generated in 1985. However, the numbers may be somewhat misleading, since $302.5 billion of these sales came from automotive and truck dealers, $102.5 billion by gasoline stations, $53.8 billion by restaurants, and $6.3 billion by automotive products outlets.

Still, the $12.4 billion generated by franchised convenience store operations and the $29.4 billion generated by "other retailing" is certainly nothing to scoff at. (All figures are U.S. Department of Commerce statistics found in *Franchising in the Economy*, a publication available from the U.S. Government Printing Office.)

"Retailing is a tremendous opportunity for franchisors, and franchising represents a tremendous opportunity for retailers," says Donald Boroian, president of Francorp, a leading Chicago-based franchise consulting firm.

"It is just too costly to find a store location, build the store, stock it with merchandise, find the inspirational management it needs, train the sales help, supervise the store, absorb the losses and also have the local knowledge to be competitive," he says. "Chains today are constrained in their growth by these factors. Franchising, though, offers them a great opportunity to expand rapidly."

He adds, "If you look at the franchise companies that are successful you have a little unique business that captured the public."

That's exactly what Graton and Bryce, two ex-Maryland school teachers, hope will happen with the specialty hat stores that they launched almost by accident.

The decision to open a store specializing in headwear wasn't the result of any extensive, expensive market research, but rather it came about purely by chance. "We were walking down the street, and Margie saw a cap and said, 'What about hats?' She had said the same thing about shoes and about other products, but there was just something about hats," recalls Graton. "I had a feeling that hats were coming back—don't laugh, but I looked at commercials and I saw a lot of the models were wearing hats—it looked like a definite trend."

GRATON AND BRYCE: "WE BELIEVE IN THE CONCEPT"

The basic concept behind Hats in the Belfry "is to have everything imaginable in headwear, including fashion headwear, but satisfying a broad range of customers." The customer mix is evenly divided between males and females.

Graton and Bryce opened their first Hats in the Belfry store in 1978 in their hometown of Annapolis, Md. However, they really came into the limelight when the Rouse Co., searching out "innovative" tenants for its Harborplace project, stumbled upon the store and persuaded the couple to open a second unit in Baltimore's festival center. A third unit followed in downtown Georgetown Park in nearby Washington, D.C.

"As we grew from one to three units, we realized that there were diminishing returns," recalls Bryce. "We thought each store would be more profitable if the person who ran it owned it, and so far we have proven to be exactly right."

Since the Georgetown store was sold to a franchisee, "for two-and-a-half months sales have already been considerably better because the management is there all the time."

Along with the Georgetown unit, Bryce and Graton have also sold the Harborplace store. But, "We are retaining the Annapolis store as a training and testing facility," says Graton. The first franchised unit opened in 1984; there will be between 13 and 16 stores open by year-end.

Like other retailers who have taken the franchise route, Hats in the Belfry founders have discovered that franchising is a way to reap the benefits of

the franchise route, Hats in the Belfry founders have discovered that franchising is a way to reap the benefits of retail expansion without having to deal with day-to-day operational headaches.

For franchisees, it's a way to own their own businesses—and to reduce the risk of failure. "The failure rate is less than 10% for franchises," while according to statistics gathered by the Small Business Adminstration, "the discontinuance rate for small business is 33% in the first year, 50% in the second and 65% in the third," says Cherkasky.

Retail franchise operations include companies such as: Drug Emporium, Merle Norman, Ace Hardware, MicroAge, Video Updates, Scandia Down, Baby's Room, Little Professor Bookstores, Cooks Corner and Sports Fantasy.

In many ways, retailing is a natural for franchising because of its strong service orientation.

For example, at Bathtique, a group of both company-owned and franchised-bath products and giftware stores, Donald Seipel, president of the Rochester, N.Y.-based firm says, "The advantage for us in franchising is that way we know we have committed people in the stores. That's particularly important to us because our business is very, very service- and customer-oriented." Bathtique has been franchising its stores since 1969 and currently has approximately 60 franchised units, along with 26 company-owned stores.

Service is also an extremely important factor at Hats in the Belfry. "There is no question about the level of service customers expect in our stores. Plus, it's part of our philosophy of selling to provide customers with a great deal of information," Graton explains.

This selling philosophy, coupled with a merchandise inventory numbering approximately 560 hats and caps, translates into average sales per square foot of $900. One of the franchised units actually achieves sales averaging approximately $1,400 per square foot.

Becoming a Hats in the Belfry franchisee involves a one-time fee of $25,000. Then there is a monthly royalty payment required of 8% of gross monthly sales. On top of this come the start-up expenses, varying greatly depending on the size and the location of the store, and whatever leasehold improvements may be required. These expenses can range anywhere from $46,000 to $108,000 and include such components as opening inventory, opening advertising, first month rent and working capital.

As for who is ready to make such an investment, Seipel says, "It used to be that the potential franchisees would often be someone looking for a second income, or a husband and wife interested in working together. But today the person coming to us is definitely more sophisticated. He or she has often worked in the corporate world and senses the nonsense and the craziness and decides that he doesn't need the aggravation any

Getting started: A helping hand

When a retailer decides to franchise his or her operation, there is a major investment in time, energy and money involved.

Some companies try the do-it-yourself approach, turning to legal help only when absolutely necessary. However, others turn to outside franchising consulting firms to help them.

Francorp, headquartered in suburban Chicago, is one of the most well-known of such firms. According to president and founder Donald Boroian, when a retailer approaches him about the possibility of becoming franchised, before he agrees to take on the project, "No. 1 I want to see a profitable prototype and this stops a lot of people. The prototype should be adaptable to other markets; the way of doing business should be trainable to others. And the operation should have a point of differentiation."

In addition, from a strictly financial point of view, "There should be good accounting controls and the cash requirements to duplicate the operation should be reasonable based on the returns that can be generated."

Most important, "I look for the integrity and commitment of the individuals who own the operation; 90% of the value I place in management—10% in the concept."

He adds, "Many companies come to see us and we suggest that they not expand into franchising because they lack the management ability to manage the monster they are about to create."

Over the years, Boroian has found that "most of the successful franchisors have a passion for excellence. They want to see their dream come true. They want to see the world covered with their units."

He adds that, "The customer must benefit and the franchisee owner must benefit for the franchisor to be successful. It's our job to convert a successful business into a successful franchise."

For its clients, Francorp makes available help in setting up operational systems, offers professional marketing advice and provides legal services.

more."

Why take the franchise route? "The risks are much greater when you start your own business," says Francorp's Boroian. "Ninety per cent of all new businesses fail; 90% of all franchisees succeed. When someone buys a franchise, he has a safety net—if there's a problem there's someone to catch you."

He adds, "If someone wants to start a new company in a business that he already knows, then he doesn't really need to become a franchisee. But if someone wants to start a business in which he has no experience, it is better to buy a franchise."

In Boroian's view, the ideal franchisee "is intelligent, hard-working, has the necessary capital, is good with people, and wants to succeed."

At Hats in the Belfry, "it's subtle things we look for" in deciding whether or not to accept a potential franchisee, says Bryce. For example, "We look for something in someone's background that indicates he or she has overcome some difficult time, whether personal- or business-related. Retailing has a lot of ups and downs and someone has to understand that there are good times and bad times in retailing. We want to make sure we have someone who doesn't go to pieces in the bad times—and someone who is not afraid of hard work."

She adds that the most important criterion, however, "is someone's attention to detail—after all, we have over 500 styles of hats. Retailing is a very detail-oriented business."

Once someone becomes a Hats in the Belfry franchisee, the support program includes extensive training, access to a computerized merchandising control system and the placing by Hats in the Belfry of the initial orders and orders for the first couple of months of operation.

In addition, for the newer franchisees, there is a pre-opening [illegible] available, complete with a timetable "covering the time from when [illegible] leaves our office until the doors of the store are opened," says Graton. There is also a weekly newsletter.

Most recently, the company has started sending a buyer to visit each store to provide merchandising and selling help, and to let franchisees in on what is happening at the other Hats in the Belfry units.

However, perhaps most significantly, "All of the franchisees come to Annapolis four times a year, three days each time," says Graton. Not only are they able to see all of the samples purchased for the next season by the Hats in the Belfry buyer, but "they also can spend two days with the merchandise, with the presentation, talking about styles and about trends."

The program for the third day is really up to the franchisees themselves. "They are polled prior to coming here about their problems and about what they would like to learn more about, and then we hire people to speak on those subjects."

The biggest benefit, though, is "the contact that they have with each other. This is really the biggest benefit—the picking of the brains among

Developers put out the welcome mat

"The shopping center developers have gone out of their way to get us prime space," says Courtney Graton, one of the founders of Hats in the Belfry, discussing reaction to his franchised specialty hat retail operation.

He adds, "Developers seem to understand the impulse nature of our business and they go out of their way to get us prime space in center court locations. Sometimes, too, that's particularly difficult because of the space configurations—our stores require only between 350 sq. ft. and 600 sq. ft. of space."

Not only is he pleased with the positive regard in which developers appear to hold franchised-operations, but he and his partner Margie Bryce have actually had a number of potential franchisees referred to them by members of the developer community.

As Bryce explains, "Quite often a new specialty center, in particular, gets a lot of attention. People will call up the developer and say, 'Hey, I would like to open a store, but I really don't know what to sell or how to go about setting it up.' Sometimes we get franchisees from this." This method works particularly well since "If the landlord has already done some prescreening, the franchising process works even better."

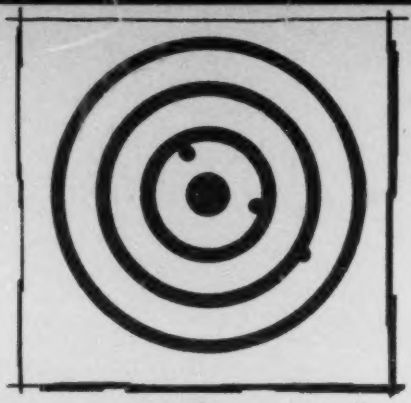
Donald Boroian, president and founder of Francorp, a leading franchise consulting firm, also observes that, approaching franchising from the other side, "We receive many referrals from shopping center developers of retail operations that they think might be good candidates for franchising." Francorp specializes in helping companies to set up franchising systems.

Conversely, Boroian has also worked with a large number of his clients to help them obtain shopping center locations. "By and large shopping center developers like good franchise operations. That's because they know the parent company will guarantee the lease, that it provides good training, good store design, start-up assistance and ongoing supervision of the store. They know that if the franchisee does not operate the store properly, the franchisee can be terminated by the franchisor. Shopping center developers, for the most part, would rather have a franchise owner in their shopping centers than a mom-and-pop."

As for Hats in the Belfry, Graton says, "We turn down many more locations than we accept, because the location is not quite right. We don't see ourselves as the McDonald's of the hat world—we can't have a shop on every corner of every busy city. We pick our locations really carefully." Two of sites where Hats in the Belfry will open before year-end include the Houston Galleria and Riverchase Galleria, Birmingham, Ala.

Having opened several of its stores in Rouse Co. festival centers, Graton notes that in addition to regional malls, "We will continue to consider festival marketplaces but we are choosing them very carefully. Many just don't offer the right kind of tenant mix for our type of operation to succeed." Street locations are another viable option. "But we are finding that these are the hardest sites to get."

Current plans call for "eight new stores to open a year and we are comfortable with that figure, although we may do as many as 12 to 16," Graton says. "But we won't do 60 a year. Our market is too location-oriented for every suburban mall and street location."



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the newer and the older franchisees."

What's most notable about the Hats in the Belfry support system is the speed at which it has been built up. However, most retail franchisors have recognized that it's important to provide maximum support for their franchisees in order to make the whole process work.

For example, over the years Bathtique has built up a particularly extensive system. However, "It really boils down to a few key areas," says Seipel. "The most important thing is that we negotiate a location for retailers at a rent which they can pay and still make money. We also have their stores built for them, write their opening orders and guarantee open dating for them. Through the buying system we have developed, the franchisees can also reorder merchandise at lower prices—and Bathtique provides full market coverage through attendance at all of the major bath and giftware shows."

Extensive training on pricing, display techniques, selling techniques and dealing with personnel decisions are part of Bathtique's support program. Plus, "We are the only franchisee that pays one-half the cost of an ad, and we help them save on Visa and MasterCard. Usually the banks charge fees of 5% to 6% when these are used, but we make the franchisees pay only 2.7%."

In essence, when the franchise system works most efficiently, what the franchisee obtains in return for his investment is a well-established retail business that he is able to launch in a new location. What the retail franchisor, such as the Hats in the Belfry team, gets in return (in addition, of course, to the monetary rewards) is the pleasure of being in the retail business without having to shoulder the same kind of daily operational burdens as they did in the days when they actually ran the store.

As Bryce recalls, "A few days ago, one of our franchisees in Michigan called up and reported that he had just made a $400 sale and we got very excited—we still experience those retail highs, like the excitement of opening a new store, but we don't have to hear too much about those personal problems—when So-and-So doesn't show up for work, for instance.

"We still get all the neat things about retailing," she points out, as Graton adds, "We live vicariously off our franchisees." ■

—Jacquelyn Bivins

OIL BELT RETAILERS SWEAT OUT DRY SPELL

MANY MANAGE TO KEEP MARKET SHARE BY STEPPING UP CUSTOMER SERVICES

Deborah Bilboa, a salesclerk in the cookware department of Sanger Harris in the Crossroads Shopping Center in Oklahoma City, answers "yes" to a visitor's question about whether or not business has been soft in Oklahoma City.

The positive answer is directly a result of unemployment worsening because of plummeting oil prices and sagging agriculture sales.

For instance, Bilboa points out that her brother works for financially-troubled Halliburton, a Dallas-based oil field services company, which has laid off 80% of its employees. Her brother still has a job, but he works seven-and-one, meaning seven weeks of employment and then one week of furlough.

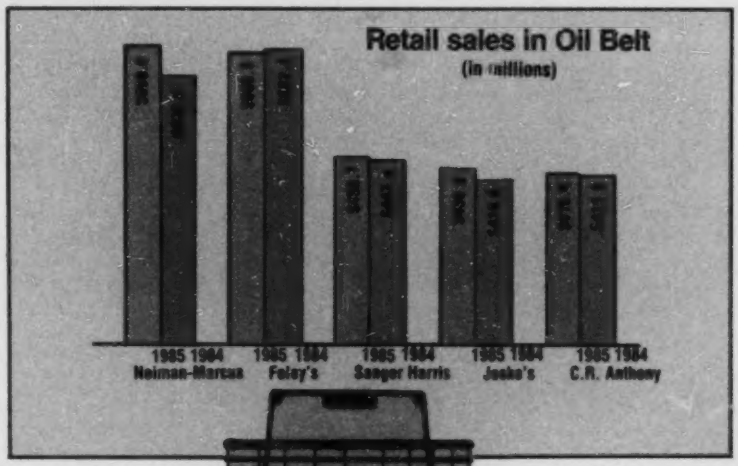
Three Oklahoma banks recently have bitten the dust: Citizens National Bank & Trust, First National Bank of Oklahoma and Penn Square Bank.

This is oil country, where retailers as well as most other businesses are struggling to keep sales and profits at least flat with those of a year earlier.

But conditions aren't as dire as many published articles note. Shopping center developers *(see accompanying story)* point out that there are many retailing opportunities in the area, depending on locations. Military spending is high and other industries are doing fairly well, they say.

The direct root of most of the problems in such Southwest states as Oklahoma, Texas and Louisiana, is the fall in the price of oil to $9.75 a barrel last spring from $35 to $40 a barrel a year earlier.

However, the Southwest is not a disaster area as yet, although it is in poor straits compared with the rest of the country. The Television Bureau of Advertising reports that in the West South Central area—consisting of Texas, Oklahoma, Louisiana and Arkansas—its members reported revenue gains from local businesses of only 4% in the second quarter, compared with the same year-earlier period. This is compared with 15% nationally. New England is the strongest area in the country with a 21% gain.

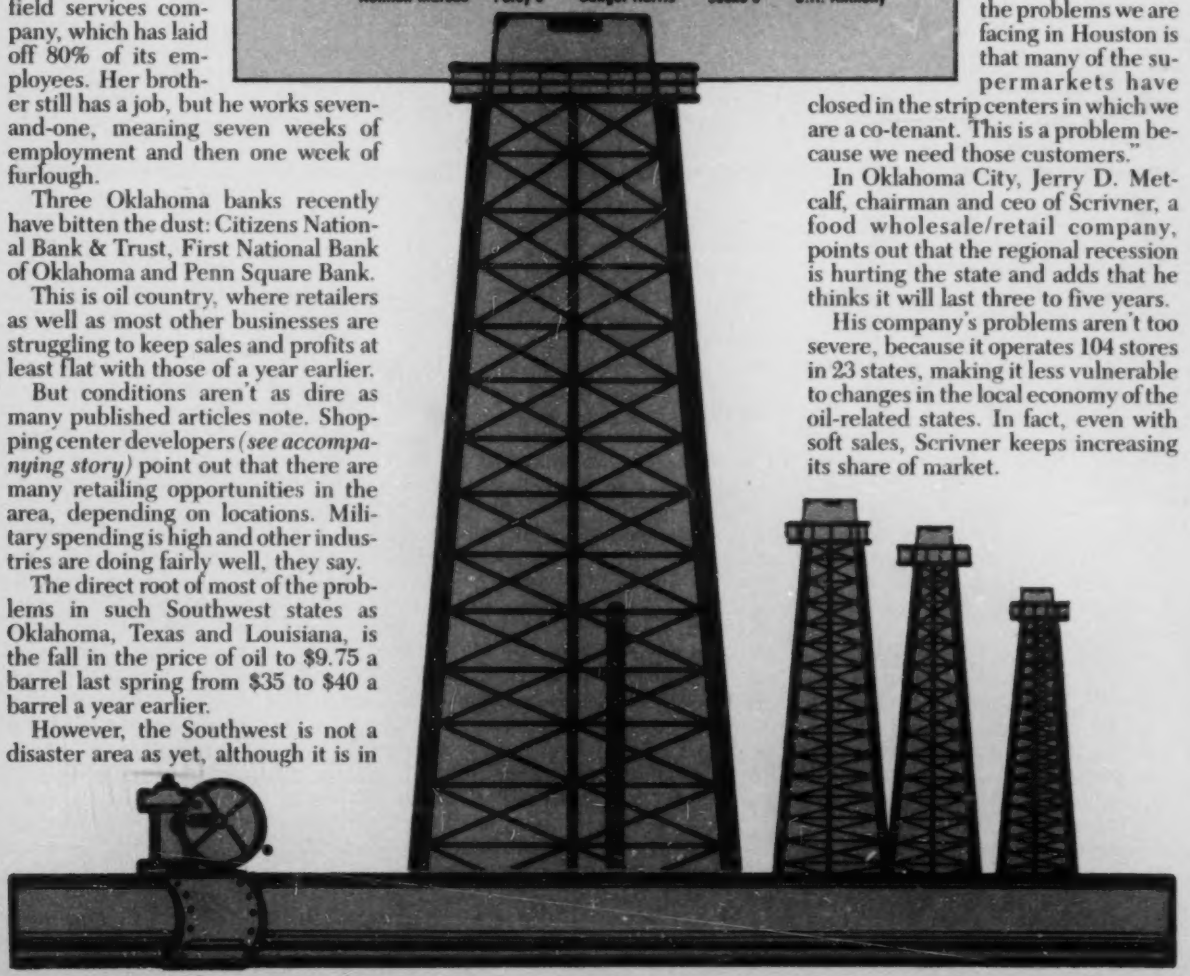


"There's no question that the Houston and southern Louisiana stores are not doing as well as we would like them to do because of the oil problem," says Peter Agostino, senior buyer for Jack Eckerd Drugs, which has a number of stores in those market areas.

He adds, "One of the problems we are facing in Houston is that many of the supermarkets have closed in the strip centers in which we are a co-tenant. This is a problem because we need those customers."

In Oklahoma City, Jerry D. Metcalf, chairman and ceo of Scrivner, a food wholesale/retail company, points out that the regional recession is hurting the state and adds that he thinks it will last three to five years.

His company's problems aren't too severe, because it operates 104 stores in 23 states, making it less vulnerable to changes in the local economy of the oil-related states. In fact, even with soft sales, Scrivner keeps increasing its share of market.



Developers see growth potential in oil producing states

While not denying that the oil exploration industry and sagging agricultural products have had adverse effects on the economy, a number of shopping center developers (and their tenants) remain optimistic about retail opportunities in Texas, Oklahoma and Louisiana. They note that there are heavy military expenditures plus oil refineries (as contrasted to exploration) and various types of research projects. Both have plans for new projects and expansions, and neither has cut back on its plans for the area.

Specifically, it all depends on specific locations in those three states, say spokesmen for JMB/Federated Realty Associates, Cincinnati, and Herring Marathon Group, Dallas.

In the eight Texas cities in which Herring has centers, "We're finding that military expenditures are very strong," says Cheryl McCue, Herring spokeswoman. The petrochemical industry is not feeling the extreme effects that oil exploration is feeling; convention and tourism is up in San Angelo, Lufkin and Abilene, Killeen, and Baytown.

In Temple, the economy is stable due to research at major medical centers.

Herring Marathon started a 475,000-sq.-ft. project in Shawnee, Okla., in September, and is planning a 1.5 million-sq.-ft. mall in Lewisville, just north of Dallas. Shawnee has little to do with oil except for products used in manufacturing.

Similarly, Stanley Eichelbaum, senior vp-public affairs and marketing for JMB/Federated, says, "We're excited about Oklahoma City. We bought the 26-year-old Penn Square Mall and are expanding it" (*Chain Store Age Executive*, May 1986). JMB/Federated will double the 550,000-sq.-ft. mall to nearly 1.5 million sq. ft. by March 1988.

"It's the right location," explains Eichelbaum. "The neighborhood has great demographics." He points out that it is located in an affluent area of Oklahoma City and access roads lead to other choice residential areas. The retailer response has been exceptional.

He also observes that the company's Collin Creek Mall in Plano, Tex., has had a great growth pattern over the last four or five years. His company is doubling the size of its North Hills Mall outside of Fort Worth. Tenant sales are excellent considering that the space has been doubled and a theater and a sit-down restaurant have been added.

Acknowledging that there are problems in Houston, Eichelbaum adds, however, "We feel pretty good about West Oaks Mall, which houses Foley's, Saks 5th Avenue, Lord & Taylor and Mervyn's. They're reporting good sales, he says.

"We're ecstatic about the potential for Oklahoma City. Dallas continues to perform fine. In Houston, we've benefited from being in the right trade area."

The situation is somewhat more uncertain for Foley's, a Federated Department Store division headquartered in Houston. Gary Key, operating vp-stores and customer service, notes that in the Houston market last year, sales were flat with a year earlier despite the depressed economy.

The company was also faced with increased competition from chains such as R. H. Macy, Mervyn's and a whole slew of off-pricers. (Despite the competition, Foley's still reports that in the first quarter of the current fiscal year, it increased its share of market in Houston, San Antonio and Austin.)

As an additional sign of the area's economic ills, several retail executives were quick to point to the decision by Mervyn's, the Haywood, Calif.-based chain, to close its regional headquarters and distribution center previously located in a Dallas suburb. However, Valerie Cooke, a spokesman for Mervyn's, says that the closings were entirely unrelated to the economy and were, instead, part of a decision to recentralize management of the chain.

Mervyn's, in fact, continues to increase its investment in the region. Three stores were recently opened in Tulsa, along with three more in Texas where there are now a total of 33 Mervyn's units. The company also has two stores already in operation in Louisiana and plans to open three more there before the end of this year.

All in all, though, statistics for the Southwest aren't encouraging for retailers. Unemployment in Texas has been hovering above the 10% mark, compared with a national average of about 7%. With oil exploration nearly at a halt, Diamond Shamrock, Pennzoil, Tenneco, Standard Oil and hundreds of other companies that rely on the oil companies have laid off workers. Even Placid Oil, the Hunt brothers oil company, was forced to declare bankruptcy. These unemployed oil field workers are packing up and leaving the area in droves, mostly migrating back to the east and north.

According to the Bureau of Labor Statistics, nearly 200,000 high-paying jobs in energy and manufacturing have disappeared since last year.

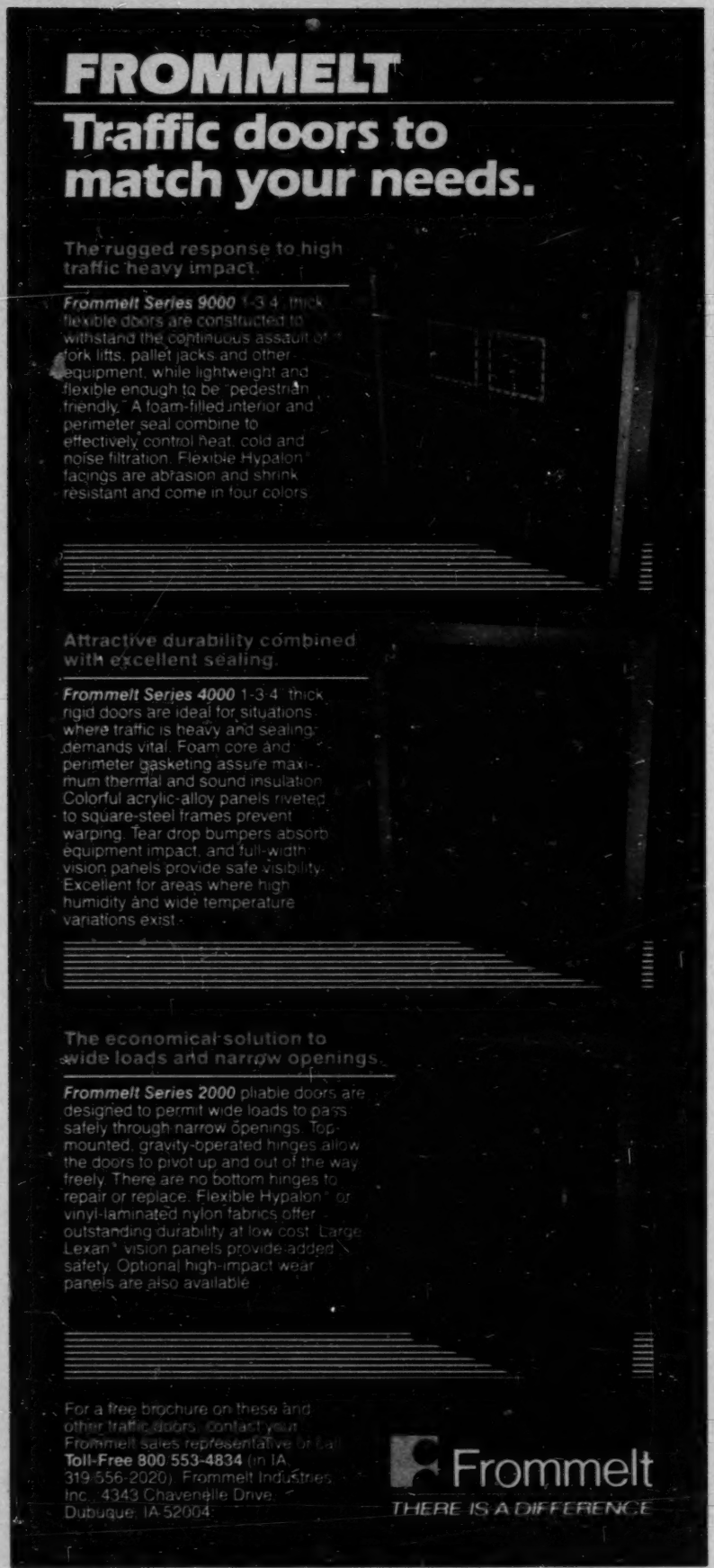
Oil production, which peaked at 3.5 million barrels a day in 1972, was down to 2.2 million barrels a day in April. Stripper wells, which produce less than 10 barrels a day, have marginal production and high operating costs. If oil is selling for about $10 a barrel, it doesn't pay to operate a stripper well. At $15 a barrel, the operator can make money, so he goes back into production.

New business ventures in Texas have dropped 6% since 1983, compared with, say, a 25% increase in Massachusetts.

In June, bankruptcies in the Dallas area hit a record 902. New jobs that had been anticipated in the computer and semiconductor industries in Austin didn't materialize.

Bob Bullock, Texas state comptroller, estimates that falling oil prices would leave the state's treasury with a $2.3 billion deficit for the two-year budget which ends Aug. 31, 1987. Despite a number of money saving measures taken by the Legislature during the first of two special sessions in September, Bullock says the Texas economy shows "no significant signs of upturn during this budget period."

R. Randall Onstead Jr., president of the 33-store Randall's Food Market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THERE IS A DIFFERENCE

which is based in Houston, one of the hardest hit markets, reports that the city is now actively looking for diversified business opportunities. Previously, the economy has been heavily dependent not only on the oil industry, but also on space exploration. Plus, it is the third largest port city in the nation. Now, though, the city government is looking into building up its medical and health research related facilities to provide new employment opportunities.

Like many other retailers, Randall's chairman, Robert R. Onstead Sr., is personally involved in the city's attempts to solve its economic problems. He has taken a lead role in the Houston Economic Development Council 1986-87 Campaign Fund Drive for $6.3 million. "I believe strongly in the future of our city and I want to do everything I can to help Houston get growing again," he says.

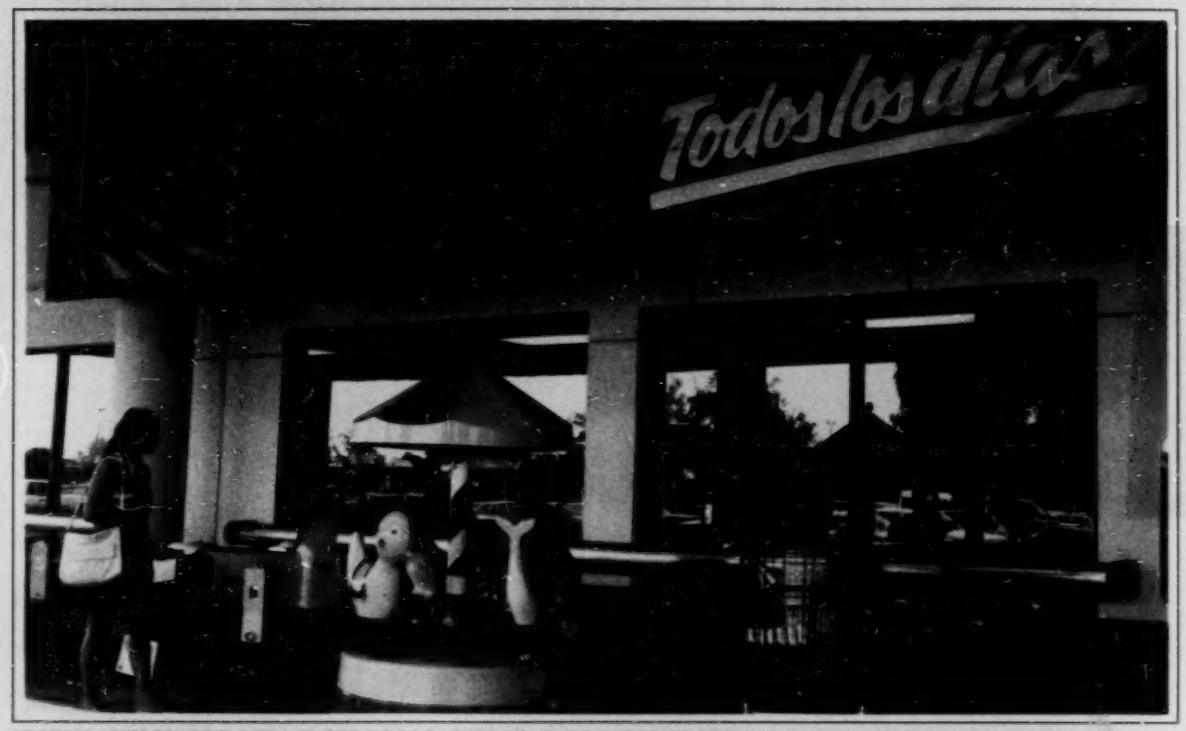
Houston isn't the only city that needs to take some recovery measures. Other cities are also having their problems.

In Oklahoma City, Jim Barnes, manager of the Food World supermarket in the Crossroads Shopping Center, notes that his business has been affected adversely by the oil-related recession. He notes two major impacts. First, the shopping area around his store is losing its population as people leave to return to other parts of the country looking for employment. Second, a number of other food stores have opened recently in the neighborhood, exhibiting their faith in the area's eventual return to health.

Meanwhile, many retail chains in the oil area say the way they are surviving or gaining share of market is by getting back to basics—trying to become more customer-oriented. At Foley's, for instance, the chain began soliciting opinions from customers and reacting positively to their suggestions (*Chain Store Age Executive*, September 1986).

In Oklahoma City, C. R. Anthony conducted a series of focus group sessions with its customers and in response to their requests has issued its own credit card, breaking a spell of some 64 years *(see story this issue)*. "A large number of our customers want the convenience of shopping with an Anthonys credit card," says Bob Anthony, chairman, president and ceo. And keeping those customers coming into the stores is really what it's all about. ■

For more information circle 12 on reply card.



FESTIVE ATMOSPHERE: XTRA SUPER FOODS UNITS FEATURE EATERIES SERVING CUBAN AND NICARAGUAN SNACKS

CHAINS REACH OUT TO HISPANIC CONSUMERS

SPECIAL MERCHANDISE, AMENITIES WOO AMERICA'S 20 MILLION LATINOS

On a warm summer morning, the Salazar family—parents, a grandmother and four children—walks into J. C. Penney's Miami branch seeking special attire for a party they're planning. Once inside, they are greeted by a sales associate who chats with Grandma in her native language, then tells the group where they can find *guyaberas* (men's dressy wedding shirts) and flouncy Guatemalan dresses.

After making the appropriate purchases, they decide to look for shoes, so they consult a prominently displayed English/Spanish store directory. And finally, on their way out, they see a poster reminding them to come to a Hispanic Heritage Festival in which Penney always participates.

No, this is not a scene staged for an idealistic department store commercial, nor is it merely a merchandising executive's fantasy. Rather, it is a very real illustration of how one chain is targeting what some observers call America's most lucrative retail niche—the 20-million-strong, $70 billion Hispanic customer sector.

What's more, it appears that Penney is not alone in its quest to make loyal customers out of the 10.3 million Mexicans, 2.6 million Puerto Ricans, 1.7 million South and Central Americans and 1.4 million other Latinos currently living in the United States. Actions taken by other retailers include the following:

- Vons Grocery, in response to informal interviews held in its stores over the past two years, has created El Tianguis, a group of supermarkets designed to cater specifically to southern California's 4.5 million Hispanic residents. A 60,000-sq.-ft. flagship will open in Montebello this coming December; two additional units are planned for El Monte and Cudahy by mid-1987.

According to Susan Lawmaster, director of marketing for the new venture, all El Tianguis outlets will feature at least 400 items imported from Mexico. (Lawmaster declined to reveal any other specifics for this story.)

- Nine-unit Xtra Super Foods Centers, a subsidiary of Pueblo International, is tailoring its Miami, Hialeah and Kendall, Fla., stores to meet the needs of a clientele corporate principals estimate as being about 70% Latin in origin.

Included in its game plan are such amenities as a large selection of prepared Cuban/Nicaraguan edibles, frequent in-store demonstrations depicting how to use Anglo products and a carnival-type shopping atmosphere complete with flags and colorful banners.

- The Burdines department store chain, whose Miami branch attracts a sizeable proportion of first- and second-generation Cubans and South Americans, involves itself heavily in the Hispanic community by sponsoring Latin cultural events.

This year, Miami's Hispanic Heritage festival will be chaired by Jane T. Smiley, Burdines' operating vp-special events and public relations.

Patricia Asip, J. C. Penney's programs manager-Hispanic markets and corporate marketing, says, "The fact that so much more attention is being paid to the Latino customer segment these days is no coincidence.

Some operations may have been remiss in this area in the past, and many still have far to go, but actual demographics are just too astounding for most of us to ignore. They show that there's a huge, strong consumer niche out there."

The statistics support this marketing thrust. Most significantly, Asip observes that figures provided by the U.S. Bureau of the Census indicate that "Hispanic households contain more potential customers than do Anglo homes—an average of 3.7 family members vs. 2.3." While the United States population as a whole grew by only 3.3% between 1980 and 1985, the Latin American sector increased at a rate of 16% and should reach 27 million by the year 2000.

Further, she points out, Latin Americans now possess more spending power than ever before. According to a spokesman for the U.S. Department of Commerce, their average annual household income ranges between $18,833 and $22,000, up from $16,228 in 1982, "and shows no sign of leveling off."

To tap into this market, sources say, chains are "picking up" on a number of attitudes and shopping beliefs they have found to be of extreme importance to Hispanic consumers, then finding ways to turn them into positive customer "lures." For instance, says Xtra operations director Richard Buoni, "in the past, Hispanics somehow got the idea that American merchants were cheating them. As a result, we, as retailers, are currently taking special pains to counteract this emotion by making them feel welcome in our stores."

At Xtra, he reports, part of this task is accomplished by gearing most of the merchandise mix toward individuals of Latin descent "or, in other words, offering foods previously found only in *bodegas* [small neighborhood groceries]."

He notes, "naturally, we stock 20-lb. bags of rice and beans, plus other things our Hispanic shoppers buy in bulk at our Miami, Kendall and Hialeah units."

MERCHANDISE WITH A LATIN FLAVOR: XTRA TARGETS HISPANIC SHOPPERS

Top eight Hispanic markets by household

City	Number of households
Los Angeles	835,100
New York City	677,200
San Francisco	211,400
San Antonio, Tex.	208,800
Miami	183,000
Chicago	179,900
Laredo, Tex.	28,500
San Angelo, Tex.	7,800

Source: Mexican American Grocers Association

However, he adds, "We've found that it takes more than that to induce these people to come in on a consistent basis. It involves having a wide variety of the products they use daily, such as 20-ft. spreads of plantains, peppers and mangoes; thinner cuts of meat; Spanish cheeses and the like. It also means allocating most of our delicatessen space to Cuban pastries, rice/bean dishes and other prepared foods to take home, rather than more 'Americanized' items."

Similarly, Asip remarks, J. C. Penney has established Hispanic marketing teams in Chicago, Denver, San Antonio, Miami, Phoenix/Tucson, San Francisco, Los Angeles and San Diego. Part of their job is to ensure that units located in these areas feature the attire Latinos favor.

"Whether they are Cuban, Mexican, Puerto Rican or South/Central American, we want our customers to believe that their patronage means something to us," she asserts.

"We don't want them to walk in and say, 'Oh, Penney's doesn't sell what we need, so we aren't valued here.' It's worth it to us to import brightly-colored garments, Mexican wedding shirts, special *Quincienera* dresses girls wear at their 15th birthday celebrations and more—and from Hispanic vendors," says Asip. "It shows that we are as committed as possible to this market."

Chains are also beefing up Latinos' "comfort level" by compensating for the fact that they may not be completely familiar with the English language or American brands, Buoni claims. Toward this end, he observes, a majority of Xtra's promotional flyers, banners and in-store signs are printed in English and Spanish; demonstrations of Anglo products are usually conducted in both tongues.

For the same reason, Penney has prepared English/Spanish signboards, as well as dual-language instructions for completing charge card applications and ordering from its catalogs. In several locations, sales associates wear name tags stating that they are bilingual. And, at Burdines, Hispanics have access to a bilingual personal shopper.

"The more Spanish an establishment catering to Latin Americans can incorporate into its sales plan, the better," comments Rosanna Stoll, a consultant for Chicago-based Metrica Marketing Group. "However, the approach should always involve some use of English, too, or Hispanic shoppers will start feeling that they are being condescended to."

Yet another key to successfully targeting Latino audiences lies in acknowledging the great pride they take in their heritage, adds Bronna Lipton, who heads up Hispanic marketing services for Burson-Marsteller, a New York City-based advertising agency. To substantiate her point, Lipton cites findings culled in a study conducted by research group Yankelovich, Skelly & White for the

SIN Spanish television network.

"When asked, 50% of Hispanics surveyed said they considered themselves Hispanic first, American second," she contends. "A full 87% claimed to be demanding more respect for their culture than they used to. Obviously merchants have nothing to lose and much to gain by plugging into this ethnocentric attitude."

Not surprisingly, a number of operations are already demonstrating their support for Hispanic culture by participating in community cultural events, say Asip and Smiley. For example, Penney recently provided swimsuits and production outfits for the Miss Hispanidad beauty pageant held in Miami; participated as a sponsor in Phoenix's *Fiestas Patrias* (Mexican Independence Day) celebration and held a party in Los Angeles to commemorate the Mexican holiday *Cinco de Mayo*.

The company also plays an integral part in planning Miami's annual Hispanic Heritage Festival, a week-long event featuring Spanish art and dance expositions, as well as a street fair.

Median Hispanic family income by region

Region	Income
Southeast	$24,100
Northwest	22,000
Pacific	21,300
Central	20,600
Southwest	19,500
Northeast	14,400

Source: Strategy Research Corp.

Burdines, too, is involving itself in the Miami festival—not only through Smiley's chairmanship, but by sponsoring an appearance there by the Spanish dance troupe *Ballet Folklorico*.

"We have always involved ourselves in the 'doings' of the communities in which our stores are located, but where Hispanics are concerned, it's proven to be of utmost, utmost importance," Smiley asserts. "It is the simplest way of reaching out to people without seeming as if we are trying to jam merchandise down their throats."

Finally, Buoni says, chains are increasing their chances of attracting a loyal Latin American clientele by accommodating their tendency to shop in large groups.

"In the Hispanic world, unlike almost any other, a shopping expedition is an excuse for a family outing," he insists. "Consequently, Latinos only shop at stores into which they feel comfortable bringing their children. They especially like festive atmospheres."

As a result, all Xtra units now have eateries where customers can enjoy Cuban and Nicaraguan snacks and coffees, as well as such standard fare as hot dogs and sandwiches. Each branch is also decorated with bright banners, flags and wall murals.

"Hispanics tell us that for them, this is like going to a fair," concludes Tony Calvieri, manager of Xtra's Miami store. "If this is what makes shopping acceptable to big families, it's acceptable to us."

Hopefully, the Salazars feel the same way. ■

—Julie Ritzer

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